

THE BOSTON EDUCATIONAL
DEVELOPMENT FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.

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Independent Auditors' Report

The Board of Directors
The Boston Educational Development Foundation, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of The Boston Educational Development Foundation, Inc. (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boston Educational Development Foundation, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE1 on our consideration of The Boston Educational Development Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important to assessing the results of our audit.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
DATE1

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 8,133,825	\$ 7,847,402
Certificates of Deposit	<u>4,307,000</u>	<u>4,250,000</u>
Total Assets	<u>\$ 12,440,825</u>	<u>\$ 12,097,402</u>
 Net Assets		
Unrestricted	\$ 1,048,144	\$ 1,067,831
Temporarily Restricted	<u>11,392,681</u>	<u>11,029,571</u>
Total Net Assets	<u>\$ 12,440,825</u>	<u>\$ 12,097,402</u>

The accompanying notes are an integral part of the financial statements

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>
Public Support and Revenues						
Contributions and support	\$ -	\$ 6,884,044	\$ 6,884,044	\$ -	\$ 7,220,619	\$ 7,220,619
Government contracts and awards	-	329,889	329,889	-	376,781	376,781
United Way	-	476,307	476,307	-	690,912	690,912
Facilities use revenues	-	683,171	683,171	-	636,005	636,005
Other reimbursements and charges for services	-	1,429,480	1,429,480	-	1,227,643	1,227,643
Investment income	94,810	-	94,810	136,753	-	136,753
Total	<u>94,810</u>	<u>9,802,891</u>	<u>9,897,701</u>	<u>136,753</u>	<u>10,151,960</u>	<u>10,288,713</u>
Expenses						
Program Services						
Grants and programs	-	9,439,781	9,439,781	-	10,134,093	10,134,093
Support Services						
Audit and accounting	18,600	-	18,600	17,500	-	17,500
Bookkeeping	78,806	-	78,806	91,549	-	91,549
Office expense	11,221	-	11,221	22,364	-	22,364
Other support service expenses	5,870	-	5,870	29,176	-	29,176
Total Support Services	<u>114,497</u>	<u>-</u>	<u>114,497</u>	<u>160,589</u>	<u>-</u>	<u>160,589</u>
Net Excess of Public Support and Revenues over Expenses	<u>(19,687)</u>	<u>363,110</u>	<u>343,423</u>	<u>(23,836)</u>	<u>17,867</u>	<u>(5,969)</u>
Net Assets, Beginning	<u>1,067,831</u>	<u>11,029,571</u>	<u>12,097,402</u>	<u>1,091,667</u>	<u>11,011,704</u>	<u>12,103,371</u>
Net Assets, Ending	<u>\$ 1,048,144</u>	<u>\$ 11,392,681</u>	<u>\$ 12,440,825</u>	<u>\$ 1,067,831</u>	<u>\$ 11,029,571</u>	<u>\$ 12,097,402</u>

The accompanying notes are an integral part of the financial statements

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 343,423	\$ (5,969)
	<u> </u>	<u> </u>
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	(2,492,000)	(3,058,000)
Proceeds from sale of certificates of deposit	2,435,000	3,743,000
Net Cash Provided by Investing Activities	<u>(57,000)</u>	<u>685,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	286,423	679,031
Cash and Cash Equivalents, Beginning	<u>7,847,402</u>	<u>7,168,371</u>
Cash and Cash Equivalents, Ending	<u>\$ 8,133,825</u>	<u>\$ 7,847,402</u>

The accompanying notes are an integral part of the financial statements

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 1 - Summary of Significant Accounting Policies

The Boston Educational Development Foundation, Inc. (BEDF) is the Boston Public School Department's Non-Profit Foundation. BEDF was founded in 1984 by the Superintendent and School Committee so that central offices and individual schools could raise money from private sources including foundations, corporations, and individuals. The majority of BEDF's board members are senior staff of the Boston Public Schools (BPS). BEDF's clients are BPS' administrators, teachers, parents, and school community members. BEDF is staffed by and located in the development office which is located on the fifth floor at 26 Court Street. Any member of the BPS family (administrators, teachers, parents groups, community groups) working with a BPS school is welcome to use BEDF.

BEDF's purpose is to provide tax exemption and fiscal reporting for donors; and a fiscal service for private grants raised by BPS schools and offices. Schools must account for their grants either through the City Treasurer or BEDF. BEDF provides a full banking, bookkeeping and accounting, and fiscal reporting service.

BEDF charges no management fee. BEDF does, however, retain the investment income on funds deposited and uses the investment income to pay for support services such as the salary of the bookkeeper, office expenses and auditing fees.

Funds held in BEDF accounts are strictly segregated accounts. Each account has a name and number and only one person can authorize expenditures from the account. This authorized individual is designated by the Headmaster, Principal, or Office Administrator who is responsible for raising the money, and is usually the Headmaster, Principal, or Office Administrator himself or herself.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual method of accounting. As such, revenue and the related assets are recognized when earned and expenses are recognized when the obligation is incurred.

Revenue Recognition

Contributions are generally recognized as support when received. The Foundation does not record commitments for future contributions. Revenue from government sponsored programs is recognized when received which is generally when expenditures are incurred. Funds received by the Foundation which are restricted by the donor for a particular purpose are reported as "Temporarily Restricted". All funds received by the Foundation, with the exception of unrestricted resources such as interest earnings, are maintained in self-balancing funds, to be used in accordance with the purpose of that particular fund. All funds received are treated as restricted even if expensed in the current period.

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Noncash Contributions

Office space, personnel, equipment and miscellaneous supplies were provided to the Foundation by the Boston Public School Committee. The value of these contributions, which have an estimated value of \$40,000, have not been recorded in the financial statements.

Restricted Program Expenditures

Expenditures for restricted program expenses are recorded as paid.

Facilities Use and Other Reimbursements and Charges for Services

Revenue received from use charges of Boston Public School Facilities is used to pay related expenses and make improvements to the schools. Revenue received for other reimbursements and charges for services include tuition and testing charges, and after school program fees.

Income Taxes

BEDF is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through DATE1 which is the date the financial statements were available to be issued.

THE BOSTON EDUCATIONAL DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

Note 2 - Cash and Cash Equivalents

The Foundation invests its available cash through various Money Market Funds, which consists primarily of short-term U.S. Government Securities, Bank Certificates of Deposits, Commercial Paper, and Repurchase Agreements. Preservation of capital is a prime investment objective of the Money Market Funds. For the years ended June 30, 2011 and 2010, the combined weighted average yields of Money Market Funds were .45% and .21%, respectively. These Money Market Funds are not insured funds, however, the management of the Foundation believes these funds are conservative investments. The Money Market Funds seek to maintain a constant \$1.00 net asset value per share, although this is not guaranteed. Investments in Money Market Funds are neither insured nor guaranteed by the U. S. Government. Although not guaranteed, the investment record since 1985 when the Foundation began investing in Money Market Funds, has maintained its full value.

Note 3 - Investments

Investments are stated at their cost and consist of Certificates of Deposit issued by commercial banks which mature within two years. Because all Certificates of Deposit are denominations less than \$250,000, all are fully FDIC insured. The Foundation anticipates realizing no gains or losses on these Certificates of Deposit as it plans to hold all Certificates of Deposit until maturity. The average yield on the Certificates of Deposit during the year ended June 30, 2011 and 2010 was 1.11% and 1.43%, respectively.

Note 4 - State Contracts and Awards

The Foundation has entered into contract agreements with the Commonwealth of Massachusetts. These contracts and awards were entered into with the Department of Public Health, the Department of Mental Retardation, and the Board of Higher Education for the benefit of Boston Public Schools.

Note 5 - Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June, 2011, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2010, 2009 and 2008 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Boston Educational Development Foundation, Inc.
Boston, MA

We have audited the financial statements of The Boston Educational Development Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011 and have issued our report thereon dated DATE1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Boston Educational Development Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Boston Educational Development Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of control deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be *material weaknesses*, as defined above.

The Board of Directors
The Boston Educational Development Foundation, Inc.
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Boston Educational Development Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
DATE1

Independent Auditors' Report on Additional Information

The Board of Directors
The Boston Educational Development Foundation, Inc.
Boston, Massachusetts

Our report on our audits of the basic financial statements of The Boston Educational Development Foundation, Inc. for 2011 and 2010 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Contributions and Support (Schedule 1) and Schedule of Temporarily Restricted Net Asset Activity (Schedule 2) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
DATE1